



Congresswoman Stephanie Murphy
Prepared Remarks
Markup of H.R. 2056, *Microloan Modernization Act of 2017* (Murphy)
House Small Business Committee
June 15, 2017

Thank you, Mr. Chairman.

My bill, the *Microloan Modernization Act*, would make meaningful improvements to the SBA's Microloan program, one of the agency's core lending programs. The underlying bill is supported by the Association for Enterprise Opportunities, Friends of the SBA Microloan Program, and the National Association of Women-Owned Business Owners. Mr. Chairman, I ask that these letters be submitted into the record.

Under the Microloan program, SBA provides loans to qualified non-profit organizations—known as intermediaries—that provide short-term loans up to \$50,000 to eligible entrepreneurs and small business owners. Recipients use these loans for working capital and to acquire supplies and equipment.

The Microloan program is open to all small businesses, but places particular emphasis on assisting new and early-phase businesses in underserved markets, such as borrowers with little or no credit history, low-income borrowers, and women and minority entrepreneurs who generally cannot qualify for conventional loans or larger SBA-guaranteed loans.

There are currently 140 active Microloan intermediaries, who serve 49 states, the District of Columbia, and Puerto Rico. In Fiscal Year 2016, SBA made 49 loans totaling \$35 million to intermediaries, and intermediaries provided nearly 4,500 microloans totaling over \$60 million to small firms. The average microloan to a small business was approximately \$13,500.

My bill would offer additional flexibility to intermediaries in two respects.

First, under current law, an intermediary can borrow no more than \$750,000 from SBA during its first year of participation, no more than \$1.25 million each year thereafter, and no more than an aggregate of \$5 million. My bill would increase the aggregate loan limit for intermediaries after their first year of participation in the program from \$5 to \$6 million.

Second, Congress annually appropriates about \$25 to \$30 million dollars to SBA so that SBA can make technical assistance grants to Microloan intermediaries. Intermediaries use this funding to provide training to small firms who are existing or potential Microloan borrowers. However, under current law, an intermediary can use no more than 25 percent of its Microloan technical assistance grant to provide pre-loan assistance—that is, assistance to a prospective Microloan borrower as opposed to an approved Microloan borrower. Microloan intermediaries have long regarded the 25 percent cap as an arbitrary requirement that limits their ability to design support services that address the specific needs of borrowers and get more prospective borrowers loan-ready. For that reason, my bill would remove the 25 percent cap.

I want to thank my colleagues on the Committee who have cosponsored this legislation, namely Ranking Member Velazquez, Congresswoman Clarke, Congresswoman Gonzalez-Colon, and Congressman Bacon.

I understand that my colleague from Nebraska, Mr. Bacon, intends to offer an amendment to this bill which will increase the 25 percent cap to 50 percent, rather than eliminating it altogether, based on input provided by SBA. While I will not oppose this amendment, I hope that this Committee will monitor implementation of this provision and determine whether it makes sense to remove the cap altogether. Nevertheless, we are taking a step in the right direction.

H.R. 2056 will ensure that more entrepreneurs, especially women and minority-owned startups, are able to get the technical assistance and capital they need to successfully establish and grow their small enterprises.

For that reason, I urge my colleagues to support the bill. With that, I yield back the balance of my time.